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FISCAL IMPACT STATEMENT

LS 7433

BILL NUMBER: HB 1589

NOTE PREPARED: Jan 15, 2009

BILL AMENDED:

SUBJECT: Electronic Waste.

FIRST AUTHOR: Rep. Sullivan

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires manufacturers of household televisions and computer monitors that contain cathode ray tubes or flat panel screens larger than nine inches measured diagonally to recycle an amount of certain electronic devices that is equal to (1) for the manufacturer's initial recycling program year, at least 60% of the total weight of these video display devices sold to households during the preceding year; and (2) for the manufacturer's second program year and every program year thereafter, at least 80% of the total weight of these video display devices sold to households during the preceding year.

The bill requires (1) manufacturers of video display devices; and (2) collectors and recyclers of certain electronic devices; to register with the Department of Environmental Management (IDEM). Before September 1, 2009, and before September 1 of each year thereafter, a manufacturer must pay IDEM a registration fee of (1) \$5,000 for the initial program year during which a manufacturer's video display devices are sold to households; and (2) \$2,500 for each year thereafter plus a variable recycling fee based on the amount of electronic devices recycled by the manufacturer from households during the previous year.

Registration fees must be deposited in the Electronic Waste Fund, which is established to implement the Electronic Waste Recycling Program.

The bill prohibits the (1) mixing of certain electronic devices or any other computer, computer monitor, printer, or television with municipal waste that is intended for disposal at a landfill or any waste that is intended for disposal by burning or incineration; and (2) disposal of certain electronic devices or any other computer, computer monitor, printer, or television in a landfill; after December 31, 2010.

The bill also removes a definition that is never used.

Effective Date: July 1, 2009.

Explanation of State Expenditures: Summary. Total administrative costs are estimated to range from \$148,606 to \$244,158, annually. The bill establishes a dedicated fund to pay for these administrative costs.

Background. After August 31, 2009, a manufacturer of video display devices sold or offered for sale to households must be registered by IDEM. IDEM would need to create and operate a registration program for E-waste processors and manufacturers of certain electronics. The registration program would require review of applications and an annual renewal component. IDEM would need to create and maintain a Web page that lists registered manufacturers and processors. IDEM must promote public participation in the activities regulated through public education and outreach efforts as well as adopt rules.

Administrative Costs. Total administrative costs are estimated to range from \$148,606 to \$244,158, annually, based on the following. Environmental personnel costs for registration and compliance assurance would range from \$125,582 to \$207,918. These costs include fringe benefits and indirect costs for two EM2 positions. Additionally, about four hours per month of website maintenance would cost about \$1,500 annually. Administering the accounting of the fund and processing fees or payments could be done by using 50% of an accountant V. Accounting costs would range between \$21,524 to \$34,740.

Electronic Waste Fund. The bill establishes the fund to implement the provisions of the bill. IDEM must administer the fund. Expenses of administering the fund must be paid from money in the fund. Money in the fund at the end of a state fiscal year does not revert to the state General Fund. All money accruing to the fund is appropriated continuously for the purposes of the fund. The fund consists of money collected from registration fees.

If revenue in the Electronic Waste Fund exceeds the amount necessary for efficient and effective administration, IDEM must recommend to the General Assembly that the base registration fee; the proportion of sales of video display devices required to be recycled; or the per pound cost of recycling; be lowered by the estimated amount of the excess. IDEM must submit a report to the General Assembly in an electronic format and to the Governor.

Requirements for Purchases by State Agencies. The Department of Administration (DOA) must ensure that acquisitions of video display devices by state agencies comply with or are not subject to the above provisions. State agency solicitation documents must specify that the prospective responder is required to cooperate fully in providing reasonable access to its records and documents to demonstrate compliance. A person awarded a contract by a state agency for purchase or lease of video display devices that is found to be in violation is subject to the following sanctions:

- (1) The contract is void if the DOA determines that the potential adverse impact to the state is exceeded by the benefit obtained from voiding the contract.
- (2) If the Attorney General establishes that any money, property, or benefit was obtained by a contractor as a result of a violation, the court may, in addition to any other remedy, order the forfeiture of the unlawfully obtained money, property, or benefit.

Explanation of State Revenues: Manufacturer's Registration Fee. Manufacturers must pay an annual registration fee to IDEM. The registration fee for the initial program year during which a manufacturer's video display devices are sold to households is \$5,000. Each year thereafter, the registration fee is equal to

a base fee of \$2,500 plus a variable recycling fee determined by a formula based on the number of pounds of video display devices sold and the proportion of sales required to be recycled. The registration fee for a manufacturer that produces less than 100 video display devices for sale annually is \$1,250.

Based on FY 2007 data, revenue for the first year with the \$5,000 registration fee is estimated to range from \$2.5 M to \$4 M, with the reduced registration fee generating an estimated \$1 M to \$2 M per year, thereafter.

The amount of revenue that will be generated from the fee is indeterminable. However, if total fees collected exceed the amount IDEM determines necessary to operate the program, IDEM must refund on a pro rata basis the amount of fees collected that exceeds the amount necessary to operate the program. IDEM is not required to refund amounts of less than \$100. Manufacturers that report collections of less than 50% of their obligation for the previous program year are not eligible for a refund.

Nationwide according to the 2002 Economic Census, there were 1,603 computer and peripheral equipment manufacturers and 572 audio and video equipment manufacturers for a total of 2,175 manufacturers. Some manufacturers only assemble products, and some only make commercial products. The bill provides that any manufacturer that offers a “covered electronic device” for sale to a household in Indiana is required to register. Assuming that all of the 572 audio and video manufacturers make consumer products for household use and assuming that 50% of the computer and peripheral equipment manufacturers would be required to register, an estimated 500 to 800 manufacturers would be required to register. Given these estimates, revenue generated for the first year with the \$5,000 registration fee could range from \$2.5 M to \$4 M. In subsequent years, the registration fee drops to \$2,500 for most manufacturers plus a variable recycling fee. The amount of revenue that would be generated by the variable recycling fee is indeterminable, but would be based on the number of pounds sold and recycled. The reduced registration fee would generate an estimated \$1 M to \$2 M per year.

Electronic Waste Fund. The fund consists of revenue generated by the registration fee. The Treasurer of State must invest money in the fund not currently needed to meet the obligations of the fund in the same manner as other public money may be invested. Interest that accrues from these investments must be deposited in the fund.

Requirements for Purchases by State Agencies. See *Explanation of State Expenditures* above.

Penalties. The bill prohibits (1) mixing of certain electronic devices or any other computer, computer monitor, printer, or television with municipal waste; and (2) disposal of certain electronic devices or any other computer, computer monitor, printer, or television in a landfill; after December 31, 2010. Violators could be liable for a civil penalty not to exceed \$25,000 per day of any violation and an additional civil penalty not to exceed \$500 per hour of violation. Administrative fines are deposited in the Environmental Management Special Fund (IC 13-14-12), which is used for the purposes of IDEM and the environmental boards. The IDEM Commissioner may direct all or a part of the money to the Solid Waste Management Fund. The money could also be used for emergency purposes (IC 13-14-10-3). Any criminal fines assessed would be deposited in either the state General Fund or the Common School Fund.

Explanation of Local Expenditures: A city, a county, or any other governmental entity may not require a household to use public facilities to recycle the household's covered electronic devices to the exclusion of other lawful recycling programs available. The impact that this provision will have on local recycling efforts is indeterminable and will vary from unit to unit.

Explanation of Local Revenues:

State Agencies Affected: IDEM, DOA, Attorney General.

Local Agencies Affected:

Information Sources: IDEM.

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